

BEFORE

THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

IN RE: Application of Harbor Island Utilities,  
Inc. for approval of a new schedule of  
rates and charges for water and sewer  
service provided to residential and  
commercial customers in Harbor Island.  
Beaufort County, South Carolina

Posted: D. Duke  
Dept: SA. OIS  
Date: 6-26-07  
Time: 9:10  
RATE  
APPLICATION  
2007-2434/S

Harbor Island Utilities, Inc. (hereinafter "Utility") would respectfully  
show unto this Honorable Commission:

1. It is a corporation organized and existing under the laws of the State of South Carolina and is a public utility within the meaning of the South Carolina statutes.
2. This application is for approval of a new schedule of rates and charges for water and sewer services provided to residential and commercial customers within the Utility's service area.
3. Applicant is presently providing service to Four hundred thirty-nine (439) residential and commercial customers as of October 31, 2006, under a schedule of rates and charges approved by the Commission in Order No. 2002-866, Docket No. 2002-239-%%75 dated December 23, 2002 for water and sewer.
4. Because of increased operating expenses, required installation of tertiary effluent filter and required effluent line replacement along U.S. Highway 21 due to a bridge replacement constructed by the S.C. Department of Transportation, applicant must increase its rates and charges; and, respectfully submits, pursuant to S.C. Code Ann, 558-5-240 (1976), the attached new schedule designated as Appendix F of this application and incorporated herein by reference, which would have produced additional revenues of \$32,410 for water service and \$57,592 for sewer service based on the twelve-month period ending October 31, 2006. Applicant is

informed and believes that such schedule is just, lawful and reasonable and should be approved.

5. All correspondence and other communications related to this application should be addressed to:

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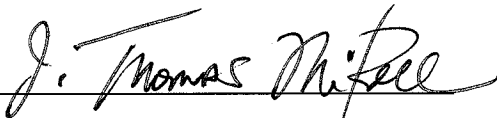
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6. Attached thereto and incorporated by reference are Sections 1-3 inclusive, with appendix based on the proposed twelve-month test year ending October 31, 2006, required by the Commission's Rules and Regulations, Section R.103-512.4 and R.103-712.4.

WHEREFORE, having fully set forth its petition, applicant prays that this Honorable Commission inquire into the matters set forth herein and that it approve the attached new schedule filed by the applicant herein.

J, THOMAS MIKELL, Esq.

June 21, 2007

By: 

J. Thomas Mikell  
Attorney for Harbor Island Utilities, Inc.  
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Beaufort, SC 29901  
(843) 524-2110

# **HARBOR ISLAND UTILITIES, INC**

## **RATE ADJUSTMENT APPLICATION TO THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**

**JUNE 2007**

**HARBOR ISLAND UTILITIES, INC.**  
**RATE ADJUSTMENT APPLICATION**  
**TO THE**  
**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA**  
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**SECTION 1**  
**HARBOR ISLAND UTILITIES, INC**  
**RATE APPLICATION**  
**STATEMENT OF JUSTIFICATION FOR**  
**RATE INCREASE**

On March 14, 1984, the Public Service Commission of South Carolina (PSCSC) recognized Harbor Island Utilities, Inc. (HIU) as a private water and sewer utility, set its service area as Harbor Island, and approved water and sewer rates. In 1985 the owner of the utility filed for bankruptcy under Chapter 11 of the Federal Bankruptcy laws, and as a result, sold the sewer system and assets to a third party. The stock of HIU with its water system assets was then sold to Community Services Management, Inc on July 14, 1986.

On January 19, 1995 the PSCSC approved the purchase of the sewer assets by HIU, and that recombined the water and sewer systems into one utility. Water and sewer rates have been adjusted in 1998 and again in December 2002.

Operating the water and sewer systems under the currently approved rates has failed to provide an adequate or reasonable operating margin for the past two years. For FY-05 the net revenues over expenses were (\$9,653) while the net revenues over expenses for FY-06 were (\$42,800).

HIU purchases potable water from the Beaufort-Jasper Water & Sewer Authority (BJWSA) at a wholesale rate and sells it at a retail rate. It also has to pay the Fripp Island Public Service District (FIPSD) a transportation fee for use of its water main between the BJWSA main on St. Helena Island and Harbor Island. Since the last rate adjustment in 2002, BJWSA has raised its wholesale rate by 16.85 percent. FIPSD also has increased its transportation fee since the last rate increase by 12.5 percent.

Since the last rate increase the South Carolina Department of Transportation (SCDOT) has constructed a new bridge on U.S. Highway 21 crossing Johnson Creek. This required HIU to pay for the relocation of its 6-inch main that transports treated wastewater from Harbor Island to Fripp Island for disposal on a golf course. The utility also has provided tertiary treatment of the wastewater to meet the effluent limits for spray irrigation on the Fripp Island golf course. For these reasons this

application for water and sewer adjustments has been prepared for submission to the PSCSC for its approval.

The number of customers for the twelve months following the test year is expected to grow at a rate of roughly one per month to a total of four hundred and fifty-one (451).

## **SECTION 2**

### **HARBOR ISLAND UTILITIES, INC.**

#### **DETAILED COST JUSTIFICATION FOR PROPOSED RATES**

HIU provides potable water and sewer service to the residents and commercial establishments on Harbor Island. The Utility purchases the potable water from BJWSA at a wholesale rate, and sells it to Harbor Island customers at rates approved by the PSCSC. Sewer service is provided by a sewage collection system and treatment plant located on Harbor Island.

A significant portion of the water and sewer system were constructed by the developer of the community and then contributed to the Utility at no cost. Thus, there is little investment in the Utility by the stockholders. In all rate cases for HIU, the PSCSC has used an "operating margin" as the basis for evaluating the requested water and sewer rates. Operating margin is determined by dividing the net income after depreciation by the gross income. The operating margin is used to pay principal on any borrowed monies, to build reserves for emergencies and to provide a reasonable profit to the stockholders. The operating margin for this Utility that was allowed by the PSCSC in 2002 was 15.5 % for water service and 16.5% for sewer service.

The operating revenues and expenses for the most recently completed fiscal year (FY-06) are shown in Appendix A. After adjustment a net loss of \$23,913 from a gross income of \$345,839 gave a negative operating margin of (6.9%) percent.

## WATER RATES

Water rates are set to cover two types of costs: fixed and variable. The fixed costs are those expenses incurred regardless of the number of customers served, while the variable costs are expenses that increase as the number of customers increases. Examples of fixed costs are repairs to water mains, property taxes, or legal and audit fees; while variable costs are purchases of water and electricity.

Table 1 shows the actual fixed and variable costs incurred in FY-06 and adjustments to each category to reflect current year expenses

### Base Rate

The base or minimum rate should cover the fixed costs related to the administration, operation and maintenance, and depreciation of the water system. In addition to these costs, an operating margin is justified to provide cash reserves and some profit to stockholders. From Table 1, these fixed costs are identified using actual expenses from FY-06 (the test year). Since there is more administrative expense related to the water system operation as compared to the sewer system operation, the administrative expenses have been split 65 percent to the water system and 35 percent to the sewer system.

The income required to provide a 15 percent operating margin is:

Administration – 65%	\$28,601
Operations & Maintenance	36,523
<u>Operating Margin – 15%</u>	<u>11,867</u>
Income	\$76,991

For a customer base of 439, the base rate to provide an annual income of \$76,991 is \$14.61 per month.

### Commodity Rate

The commodity rate is a function of the variable costs required to provide potable water to the customers. For FY-2006 HIU purchased 40.346 million gallons but sold only 33.484 million gallons for a loss of 6,484 or 16%. Based on PSCSC acceptable accountability of 90%, the utility should have purchased 37.204 million gallons. For FY-07 BJWSA's rate is \$2.15 per 1,000 gallons and the FIPSD's transport fee is \$0.27/1,000 gallons, for a total cost of \$2.42/1,000 gallons.

**TABLE 1**  
**ACTUAL OPERATING EXPENSES & ADJUSTMENTS**  
**FY -2006**

	FIXED COSTS	ADJ	* FIXED COSTS	VARIABLE COSTS	ADJ	* VARIABLE COSTS	TOTAL COSTS	ADJUSTED TOT COSTS
<b><u>ADMINISTRATION</u></b>								
Acct & Tax Return	4,789		4,789			-	4,789	4,789
Bank Charges	353		353			-	353	353
Insurance	2,370		2,370			-	2,370	2,370
Safe Water Fee	2,124	(2,124) (1)	-				2,124	-
Legal Fees		1,000 (2)	1,000			-	-	1,000
Licenses & Permits	200		200			-	200	200
Line Location Svcs			-	5,747		5,747	5,747	5,747
Management Fees	23,559	2,142 (3)	25,701	11,604	1,055 (3)	12,659	35,163	38,360
Postage & Freight	100		100	1,683		1,683	1,783	1,783
Printing	990		990			-	990	990
Rate Case	1,000		1,000				1,000	1,000
Taxes, Income	2,842		2,842			-	2,842	2,842
Taxes, Property	12,415	(8,858) (4)	3,557				12,415	3,557
Telephone	1,101		1,101			-	1,101	1,101
Total Admin Expenses	51,842	(7,840)	44,002	19,034	1,055	20,089	70,877	64,092
<b><u>WATER SYSTEMS OPERATIONS</u></b>								
Auxiliary Generator	944		944			-	944	944
Bldg & Grounds	1,373		1,373			-	1,373	1,373
Controls & Instruments	583		583			-	583	583
Depreciation - Water	2,125		2,125			-	2,125	2,125
Electricity			-	5,853		5,853	5,853	5,853
Field Supplies			-	4,236		4,236	4,236	4,236
Operator Services	2,325	207 (5)	2,532	9,300	827 (5)	10,127	11,625	12,659
Pumps & Motors			-	10,850		10,850	10,850	10,850
Small Tools	180		180			-	180	180
Mains & Hydrants	21,426		21,426			-	21,426	21,426
Meter Fee Paid to FIPSD	4,344	(4,344) (6)	-				4,344	-
Meter Installation	4,887	(1,152) (7)	3,735				4,887	3,735
Meter Repair			-	1,083		1,083	1,083	1,083
Water Quality Monitoring	300		300			-	300	300
Water Tank	3,325		3,325				3,325	3,325
Total Water Expenses	41,812	(5,289)	36,523	31,322	827	32,148	73,134	68,672
<b><u>SEWER SYSTEM OPERATIONS</u></b>								
Bldg & Grounds	1,403		1,403				1,403	1,403
Backflow Prevention	100		100				100	100
Chemicals	394		394				394	394
Chlorination System	1,553		1,553				1,553	1,553
Controls & Instruments	180		180				180	180
Depreciation - Sewer	12,053		12,053				12,053	12,053
Effluent PS & Force Main	5,824		5,824				5,824	5,824
Effluent Monitoring	4,130		4,130				4,130	4,130
Effluent Disposal (FIPSD)	2,741		2,741				2,741	2,741
Electricity	17,793		17,793				17,793	17,793
Field Supplies	15		15				15	15
Gravity Mains	592		592				592	592
Interest on Debt	12,795	577 (8)	13,372			-	12,795	13,372
Operator Services	23,538	2,163 (9)	25,701				23,538	25,701
Secondary Trt Plant	27,228		27,228				27,228	27,228
Pump Stations	22,376		22,376				22,376	22,376
Sludge Disposal	9,744		9,744				9,744	9,744
Small Tools	1,035		1,035				1,035	1,035
Water	853	(131) (10)	722				853	722
Total Sewer Expenses	144,345	2,609	146,955				144,345	146,955

\* See explanations for adjustments on next page.

Adjustments for Table 1:

1. Safe Water Fee is collected for and paid to SCDHEC. Not a part of the rate base.
2. Legal fees paid for last rate case divided by three years.
3. Management fees for test year were only for 11 months. \$3,196.67 times 12 months equals \$38,360. 67% allocated to fixed costs and 33% allocated to variable costs.
4. Property Taxes – test year includes property taxes paid for 2002-2005, reduce expense by \$8,858.
5. Operator Services for Water System – test year reflects only 11 months. \$1,054.90 times 12 months equals \$12,658.80. 20% is allocated to fixed costs and 80% is allocated to variable costs.
6. \$543.00 was paid to FIPSD for each water tap installed. This expense is covered by water tap fees.
7. Water meter installation costs of \$4,887 plus fees paid to FIPSD totaling \$4,344 are subtracted from water tap fees collected were \$5,496 leaving a net expense of \$3,735.
8. Interest on debt varies with change in prime rates. Current rate is “prime + 0.5%”.
9. Operator Services for Sewer System – test year reflects only 11 months. \$2,141.77 times 12 months equals \$25,701.
10. Water used at sewage treatment plant recorded based on actual water used.

For this case the required income to provide 37.204 million gallons of water will be:

Administration – 65%	\$13,057
Operations & Maintenance	32,148
Water Purchase (37.204mg @ \$2.42/kgal)	90,034
<u>Operating Margin – 15%</u>	<u>23,866</u>
Income	\$159,105

The cost to provide potable water to its customers during the test year was \$4.75 per 1,000 gallons (\$159,105/33.484mg).

## Proposed Water Rates

For a new base rate of \$14.61 per month plus a commodity charge of \$4.28 per 1,000 gallons the gross revenue for the test year would have been:

Base Rate (439 customers @ \$14.61/mo)	\$76,965
Commodity (33.484 mg @ \$4.75/1000gal)	159,049
Gross Income	<u>\$236,014</u>

Based on the adjustments made to the operating expenses for the test year, as shown in Table 1, the total expenses would have been:

Administration – 65%	\$41,660
Operations & Maintenance	66,547
Water Purchase	90,034
<u>Depreciation</u>	<u>2,125</u>
Total Expenses	\$200,366

The net operating income would have been \$35,648 providing an operating margin of 15.1%.

It is noted that the calculated base rate of \$14.61 per month is less than the currently approved rate of \$16.12 per month, while the commodity rate of \$4.75/1000 gal is significantly greater than the currently approved rate of \$3.60/1000 gal. By maintaining the base rate near \$16.12, say \$16.20, the commodity rate can be lowered to an amount less than \$4.75/1000 gal. For example:

A base rate of \$16.20/mo for 439 customers equals \$85,340 and that will require the commodity rate to produce \$150,674 in revenue. This amount divided by the water sold (33.484mg) equals \$4.50/1000 gallons or,

For a base rate of \$19.00/mo the revenue will be \$100,092 requiring a commodity rate of \$4.06/1000 gal to provide the balance of \$135,922.

However, if the commodity rate is retained at \$3.60/month, thus generating \$120,542, the base rate would have to be \$21.92/month in order to generate the balance of \$115,472.

It is recommended that the new rates be:

Base Rate	\$19.00/mo
Commodity Rate	\$4.06/1000 gal

The proposed rates are for standard  $\frac{5}{8}$  inch and  $\frac{3}{4}$  inch water meters. Customers using larger meters should continue to pay a larger base rate to cover the added instantaneous demand they place on the water system. The differential in the recommended rates for the larger meters are consistent with the current rates as shown.

Base Rates for Residential Customers

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>
$\frac{3}{4}$ "	\$16.12/mo	\$19.00/mo
1"	\$18.00/mo	\$21.00/mo
1½"	\$24.00/mo	\$26.50/mo

Base Rates for Commercial Customers

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>
$\frac{3}{4}$ "	\$21.75/mo	\$24.00/mo
1"	\$24.25/mo	\$27.00/mo
1½"	\$32.00/mo	\$33.00/mo

Base Rate for Irrigation Customers

<u>Meter Size</u>	<u>Current Base Rate</u>	<u>Proposed Base Rate</u>
$\frac{3}{4}$ "	\$16.12/mo	\$19.00/mo
1"	\$18.00/mo	\$21.00/mo
1½"	\$24.00/mo	\$26.50/mo

Fire Hydrant Usage

Water often is needed to jet pilings into the ground for foundations, or to fill storage tanks. For such requests, it is necessary to install a hydrant meter to determine the usage. The cost of installing the hydrant meter and handling the administration is approximately \$65.00 while the water usage should be charged at the commodity rate, \$4.06/1000 gallons. For control it is best to collect a user fee of approximately \$75.00 before the water is used and then refund any balance. By reading the hydrant

meter before and after usage, the charges are calculated and deducted from the advance payment with a refund of the balance made to the user. This procedure is consistent with the procedure used for the currently approved rates. The proposed rates are:

	<u>Current Rate</u>	<u>Proposed Rate</u>
Installation Charge	\$50.00	\$65.00
Advance Payment	\$50.00	\$75.00
Commodity Charge	\$3.60/1000 gal	\$4.06/1000 gal

### Purchased Water Adjustment

HIU purchases its potable water from BJWSA. The water is transported through a pipe owned by FIPSD. Whenever BJWSA increases the price of water sold to HIU, the price is raised pursuant to the water purchase agreement between HIU and BJWSA. Whenever FIPSD raises its fee to transport the water to HIU, the price is increased pursuant to the water transportation agreement between HIU and FIPSD.

Accordingly, whenever there is a price adjustment for the purchase or transportation of potable water to HIU by BJWSA or FIPSD, the following adjustment shall be made by HIU to its customer rates:

#### 1. Billing Adjustment

In the event that BJWSA or FIPSD adjusts (whether an increase or decrease) the unit price per 1,000 gallons the following will apply:

- a. If the unit price is adjusted, the cost per 1,000 gallons will be passed through at cost to the customers as an adjustment to the consumption charge on their water bills.

Example: The unit price of purchased water is increased by two cents per 1,000 gallons. The consumption charge on the customer's bill would reflect a two cent per 1,000 gallon increase.

#### 2. Notification

No special billing adjustments shall be billed until the following conditions are met:

- a. HIU shall furnish the PSCSC satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- b. HIU shall furnish written notice to the customers affected by the adjustment thirty (30) days prior to its proposed effective date and shall inform them of the effective date.

### Administrative set-up fee

HIU will charge a fee of \$25.00 to set up an account for a new customer. Only one set-up fee of \$25 shall apply if both a water and a sewer account are set up at the same time.

### Administrative and legal fees for delinquent accounts

Delinquent Notification Fee - A fee of \$10 shall be charged each customer to whom HIU mails a notice of discontinuance of service as required by the PSCSC rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customer creating that cost.

Returned Check Charge (NSF) – State statute allows a \$30.00 recovery of NSF checks. All returned check accounts will be assessed the NSF fee allowed by the SC Code of Laws §34-11-70(A)(3).

### Previously Approved Rates

The rates previously approved by the PSCSC include:

#### Reconnection Fees

- |   |         |
|---|---------|
| 1. Disconnect/Reconnect at Customer Request | \$50.00 |
| 2. Disconnect/Reconnect for Non-payment     | \$50.00 |

#### Advance Payment

- |   |          |
|---|----------|
| 1. For Water Used During Construction<br>(Paid with tap fees) | \$100.00 |
|---|----------|

#### Tap Fees

##### Single Units

5/8" & 3/4" meter	\$687.00
1" meter	\$1,037.00
1½" meter	\$1,187.00
2" meter	\$2,187.00

##### Master Meter for Multiple Units

1" - 2" meter	\$687 per unit
Greater than 2" meter	\$500 per unit

## SEWER RATES

### Recent Capital Improvements

HIU pumps treated wastewater from the treatment plant on Harbor Island to Fripp Island for disposal on a golf course. The treated effluent is pumped through a 6-inch pipe that crosses two bridges between Harbor Island and Fripp Island. In 2005-2006 the SCDOT replaced one of the bridges that required the relocation of the 6-inch main, which was attached to the Johnson Creek Bridge. After comparing cost estimates, the utility elected to use directional boring of the pipe below Johnson Creek at a cost of \$84,013.14.

In addition to this main relocation, the utility was required by the FIPSD to upgrade the treatment of the wastewater to be compatible with its tertiary treatment of the FIPSD treatment plant. This task was accomplished in 2006 by adding a tertiary treatment process at a cost of \$92,400.86.

A portion of these two capital improvements was funded by a \$160,000 loan from Palmetto State Bank in Beaufort, SC. The loan is payable over 180 months with a balloon payment on the 60<sup>th</sup> month. Interest rate is variable at prime plus 0.5%. Interest paid over 9 months in FY-06 was \$8,889.59, while the projected interest for FY-07 is \$13,372.47.

### Flat Rate

Historically sewer service has been provided to the residential and commercial customers on Harbor Island at a fixed monthly rate. Since Harbor Island is predominately a second home community, it is recommended that the utility continue with a fixed rate so that even cash flow will correspond with the essentially even operating expense.

From Table 1 the adjusted annual expenses for the test year are:

Administration – 35%	\$22,432
Operation & Maintenance	134,902
<u>Depreciation</u>	<u>12,053</u>
Total	\$169,387

With an operating margin of 15%, the required annual income is \$199,279 ( $\$169,387/0.85$ ). For the 419 residential customers and the 6 (six) commercial customers, the average sewage cost per sewer customer is \$39.07 per month, use \$39.00.

Compared to the present rate of \$27.50/month the proposed rate of \$39.00/mo represents a 41.8% increase. It should be pointed out that the depreciation and loan interest for the recent capital

improvements increased the annual expense by \$25,425. This represents \$5.86/month of the overall rate increase of \$11.50/month, or 51% of the rate increase.

As in the past, the commercial customers should be charged a sewer rate in proportion to residential rates using SCDHEC schedule for wastewater load allocation. With a residential load allocation of 300 gpd, commercial rates should be:

<u>Customer Type</u>	<u>Load Allocation</u>	<u>Factor</u>
Residential	300 gpd	1.0
Restaurants	30 gpd/seat	0.1 x no. of seats
Retail	200 gpd/1,000 sq. ft.	0.67 x no, 1,000 sq. ft.
Office	25 gpd/employee	0.83 x no. employees

### Tap Fees

There is no request to change the currently approved sewer tap fees. The approved rates are:

Residential	\$500.00
RV & Trailer Park	\$250.00/pad
Commercial Water supplied through 1" - 1½" meter	\$850.00

### Administrative set-up fee

HIU will charge a fee of \$25.00 to set up an account for a new customer. However, there will be no new account set up fee for a sewer customer if a new water account is set up at the same time and the new account fee is charged for the water account.

### Administrative and legal fees from delinquent accounts

Delinquent Notification Fee - A fee of \$10 shall be charged each customer to whom the company mails a notice of discontinuance of service as required by the PSCSC rules prior to service being discontinued. This fee assesses a portion of the clerical and mailing costs of such notices to the customer creating that cost. HIU may charge a delinquent notification fee to cover the clerical and mailing costs associated with mailing delinquent notices.

Returned Check Charge (NSF) – State statute allows a \$30.00 recovery of NSF checks. All returned check accounts will be assessed the NSF fee allowed by the SC Code of Laws §34-11-70(A)(3).

## Effluent Storage/Disposal Agreement

HIU pumps its treated effluent approximately five miles to FIPSD. FIPSD charges HIU an effluent storage fee based on its actual costs. Whenever FIPSD raises its fee to store HIU's effluent, the price is increased pursuant to the effluent storage agreement between HIU and FIPSD.

Accordingly, whenever there is a price adjustment for the storage of effluent to HIU by FIPSD, the following adjustment shall be made by HIU to its customer rates:

### 1. Billing Adjustment

In the event that FIPSD adjusts (whether an increase or decrease) the unit storage price per 1,000 gallons, the following will apply:

- a. If the unit price is adjusted, the cost per 1,000 gallons will be converted to a cost per 9,000 gallons, which is the monthly average flow per household, and will be passed through at cost to the customers as an adjustment to the flat charge on their sewer bills.

Example: The unit price of effluent storage is increased by one cent per 1,000 gallons. The consumption charge on the customer's bill would reflect a flat increase of 9¢ per month.

- FIPSD increase = 1¢/1000 gallons increase = 0.001¢/gallon
- Normal household use = 300 gallons per day x 30 days = 9,000 gallons per month
- Increase to customers = 0.001¢ x 9,000 = 9¢ per month

### 2. Notification

No special billing adjustments shall be billed until the following conditions are met:

- a. HIU shall furnish the PSCSC satisfactory proof of the basis for the adjustment and the billing method to be utilized at least sixty (60) days prior to its proposed effective date.
- b. HIU shall furnish written notice to the customers affected by the adjustment thirty (30) days prior to its proposed effective date and shall inform them of the effective date.

## REVENUES

Actual revenue collected for the test year totaled \$356,270. Table 2 shows adjustments made to individual items that in general are not related to the rate base. The adjusted revenue total is \$345,839.

**Table 2**

<b>Harbor Island Utilities, Inc</b> <b>Actual Revenues &amp; Adjustments</b> <b>FY - 2006</b>				
<b>Type Revenue</b>	<b>Per Books</b>	<b>Pro Forma Adjustment</b>	<b>Adj No</b>	<b>After Adjustment</b>
Water Sales	205,971	1,515	(1)	207,486
Sewer Revenue	137,720			137,720
Safe Water Fee	2,109	(2,109)	(2)	-
Late Charges	633			633
Sewer Tap Fees	4,500	(4,500)	(3)	-
Water Tap Fees	<u>5,496</u>	<u>(5,496)</u>	(3)	<u>-</u>
Total Revenue	356,429	(10,590)		345,839
Adjustments:				
(1) Water Sales - To adjust water sales to correspond with monthly billings during test year. (See Table 3)				
(2) Safe Water Fee - To remove fee required to be collected for, and paid to, DHEC.				
(3) Tap Fees - To remove water and sewer tap fee revenue from total revenues for rate making purposes, The actual cost for the water and sewer taps, up to the tap fees collected, are removed from the expenses.				

An analysis of the water used by each class of customer during the test year is presented in Table 3. Based on the currently approved rates, the actual water service revenues collected during the test year totaled \$205,971.12 and the sewer revenues totaled \$137,720.00. The model for the water service projects revenues for the current rates at 100.7% of the actual revenues while it projects the sewer services revenues at 100% of the actual revenues collected.

Using this model, to determine revenues using the proposed water and sewer rates for the test year, Table 4 shows that the water revenues would have been \$238,380 while the sewer revenues would have been \$195,312.

TABLE 3

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	ADJ	TOTAL
Residential Customers														
No. Customers	423	423	423	423	423	428	428	429	431	431	431	430		
Total Gallons	2,101,340	1,370,420	1,114,613	1,337,000	1,185,370	1,842,750	2,160,950	2,705,890	4,346,430	4,016,540	2,753,020	2,429,890		27,364,213
Revenue	\$ 14,383.58	\$ 11,752.27	\$ 10,831.37	\$ 11,631.96	\$ 11,086.09	\$ 13,533.26	\$ 14,678.78	\$ 16,656.68	\$ 22,594.87	\$ 21,407.26	\$ 16,858.59	\$ 15,679.20		\$ 181,093.91
Irrigation Customers														
No. Customers - 3/4"	4	4	4	4	4	4	4	4	4	4	4	4		
No. Customers - 1"	3	3	3	3	3	3	3	3	3	3	3	3		
No. Customers - 1 1/2"	2	2	2	2	2	2	2	2	2	2	2	2		
Total Gallons	90,000	30,520	22,230	13,940	17,090	27,430	143,250	216,980	230,850	268,580	223,320	141,280		1,425,470
Revenue	\$ 490.48	\$ 276.35	\$ 246.51	\$ 216.66	\$ 228.00	\$ 265.23	\$ 682.18	\$ 947.61	\$ 997.54	\$ 1,133.37	\$ 970.43	\$ 675.09		\$ 7,129.45
Commercial Customers														
No. Customers - 3/4"	5	5	5	5	5	5	5	5	5	5	5	5		
No. Customers - 1"	2	2	2	2	2	2	2	2	2	2	2	2		
No. Customers - 1 1/2"	0	0	0	0	0	0	0	0	1	1	1	1		
WWTP	1	1	1	1	1	1	1	1	1	1	1	1		
Jetting	0	1	1	0	1	0	0	1	1	1	0	0		
Water Sold - Commer	409,230	145,750	90,460	120,130	88,050	185,860	383,210	297,120	707,600	618,520	651,860	345,910		4,043,700
Water Sold - WWTP	44,820	30,680	15,160	34,370	30,090	32,660	28,710	15,360	26,550	32,650	31,810	39,780		362,640
Water Sold - Jetting	-	31,800	66,377	-	83,300	-	-	65,500	5,300	35,700	-	-		287,977
Total Gallons	454,050	208,230	171,997	154,500	201,440	218,520	411,920	377,980	739,450	686,870	683,670	385,690		4,694,317
Revenue - Commercial	\$ 1,630.48	\$ 743.00	\$ 513.07	\$ 658.11	\$ 534.11	\$ 891.34	\$ 1,593.94	\$ 1,257.45	\$ 2,789.44	\$ 2,480.90	\$ 2,599.25	\$ 1,513.69		\$17,204.78
Revenue - WWTP	\$ 89.19	\$ 61.05	\$ 30.17	\$ 68.40	\$ 59.88	\$ 64.99	\$ 57.13	\$ 30.57	\$ 52.83	\$ 64.97	\$ 63.30	\$ 79.16		\$ 721.65
Revenue - Jetting	-	164.48	288.96	-	349.88	-	-	285.80	69.08	178.52	-	-		\$ 1,336.72
Water Accountability														
Water Purchased	2,473,000	1,903,000	2,265,000	1,845,000	2,621,000	3,078,000	3,675,000	5,014,000	6,132,000	4,565,000	3,319,000	3,456,000		40,346,000
Water Sold	2,645,390	1,609,170	1,308,840	1,505,440	1,403,900	2,088,700	2,716,120	3,300,850	5,316,730	4,971,990	3,660,010	2,956,860		33,484,000
Water Lost	(172,390)	293,830	956,160	339,560	1,217,100	989,300	958,880	1,713,150	815,270	(406,990)	(341,010)	499,140		6,862,000
Cost of Lost Water	\$ (415.46)	\$ 708.13	\$ 2,304.35	\$ 818.34	\$ 2,933.21	\$ 2,384.21	\$ 2,310.90	\$ 4,128.69	\$ 1,964.80	\$ (980.85)	\$ (821.83)	\$ 1,202.93		\$ 16,537.42
Accountability	107%	85%	58%	82%	54%	68%	74%	72%	87%	109%	110%	86%		83%
Y-T-D Accountability	107%	97%	84%	83%	76%	74%	74%	75%	75%	80%	83%	83%		
Rates - Water														
3/4" Meter	Base, Res	Base, Com	Commodity	WWTP	BJWSA	EFPSD	HYD METER							
1" Meter	16.12	21.75	3.60	1.99	2.15	0.26								
1 1/2" Meter	18.00	24.25	3.60											
Hydrant Meter	24.00	32.00	3.60											
Water Revenues														
Residential Customers	14,383.58	11,752.27	10,831.37	11,631.96	11,086.09	13,533.26	14,678.78	16,656.68	22,594.87	21,407.26	16,858.59	15,679.20		181,093.91
Commercial Customers	490.48	276.35	246.51	216.66	228.00	265.23	682.18	947.61	997.54	1,133.37	970.43	675.09		7,129.45
Wastewater Trt Plant	1,630.48	743.00	513.07	658.11	534.11	891.34	1,593.94	1,257.45	2,789.44	2,480.90	2,599.25	1,513.69		17,204.78
Jetting Meter	89.19	61.05	30.17	68.40	59.88	64.99	57.13	30.57	52.83	64.97	63.30	79.16		721.65
Total Water Revenue	-	164.48	288.96	-	349.88	-	-	285.80	69.08	178.52	-	-		1,336.72
Posted Revenue	16,593.73	12,997.15	11,910.08	12,575.13	12,257.96	14,754.82	17,012.03	19,178.11	26,503.76	25,265.02	20,491.57	17,947.14		207,486.51
Difference	(2.28)	(95.99)	(48.02)	(74.34)	(95.03)	(68.80)	(67.15)	(50.32)	(90.57)	(101.22)	(224.50)	(47.53)		205,971.12
% Difference	-0.7%	-0.7%	-0.8%	-0.6%	-0.8%	-0.5%	-0.4%	-0.3%	-0.3%	-0.4%	-1.1%	-0.3%		(1,515.39)
														-0.7%
Rates - Sewer														
Residential Customers	Fixed Rate-Res	Base Rate-Com	Overage Rate / 1000 gal											
Commercial Customers	27.50	27.50	1.50											
Sewer Customers														
Residential	404	408	408	409	409	412	412	413	416	416	418	419		
Commercial	5	5	5	5	5	5	5	5	6	6	6	6		
Sewer Revenues														
Residential Customers	11,110.00	11,220.00	11,220.00	11,247.50	11,247.50	11,330.00	11,330.00	11,357.50	11,440.00	11,440.00	11,495.00	11,522.50		135,960.00
Commercial Customers	137.50	137.50	137.50	137.50	137.50	137.50	137.50	137.50	165.00	165.00	165.00	165.00		1,760.00
Posted Revenue	11,247.50	11,357.50	11,357.50	11,385.00	11,385.00	11,467.50	11,467.50	11,495.00	11,605.00	11,605.00	11,660.00	11,687.50		137,720.00
Difference	11,247.50	11,357.50	11,357.50	11,385.00	11,385.00	11,467.50	11,467.50	11,495.00	11,605.00	11,605.00	11,660.00	11,687.50		137,720.00
% Difference	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		0.0%

**TABLE 4  
HARBOR ISLAND UTILITIES, INC  
PROJECTED WATER & SEWER REVENUES FOR TEST YEAR  
USING PROPOSED RATES**

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	ADJ	TOTAL
<b>Residential Customers</b>														
No. Customers	423	423	423	423	423	428	428	429	431	431	431	430		430
Total Gallons	2,101,340	1,370,420	1,114,613	1,337,000	1,185,370	1,842,750	2,160,950	2,705,890	4,346,430	4,016,540	2,753,020	2,429,890		27,364,213
Revenue	\$ 16,568.44	\$ 13,600.91	\$ 12,562.33	\$ 13,465.22	\$ 12,849.60	\$ 15,613.57	\$ 16,905.46	\$ 19,136.91	\$ 25,835.51	\$ 24,496.15	\$ 19,366.26	\$ 18,035.35		\$ 208,435.71
<b>Irrigation Customers</b>														
No. Customers - 3/4"	4	4	4	4	4	4	4	4	4	4	4	4		4
No. Customers - 1"	3	3	3	3	3	3	3	3	3	3	3	3		3
No. Customers - 1 1/2"	2	2	2	2	2	2	2	2	2	2	2	2		2
Total Gallons	90,000	30,520	22,230	13,940	17,090	27,430	143,250	216,980	230,850	268,580	223,320	141,280		1,425,470
Revenue	\$ 557.40	\$ 315.91	\$ 282.25	\$ 248.60	\$ 261.39	\$ 303.37	\$ 773.60	\$ 1,072.94	\$ 1,129.25	\$ 1,282.43	\$ 1,098.68	\$ 765.60		\$ 8,091.42
<b>Commercial Customers</b>														
No. Customers - 3/4"	5	5	5	5	5	5	5	5	5	5	5	5		5
No. Customers - 1"	2	2	2	2	2	2	2	2	2	2	2	2		2
No. Customers - 1 1/2"	0	0	0	0	0	0	0	0	1	1	1	1		1
WWTP	1	1	1	1	1	1	1	1	1	1	1	1		1
Jetting	0	1	1	0	1	0	0	1	1	1	0	0		0
Water Sold - Commer	409,230	145,750	90,460	120,130	88,050	185,860	383,210	297,120	707,600	618,520	651,860	345,910		4,043,700
Water Sold - WWTP	30,680	30,680	15,160	34,370	30,090	32,660	28,710	15,360	26,550	32,650	31,810	39,780		362,640
Water Sold - Jetting	-	31,800	66,377	-	83,300	-	-	65,500	5,300	35,700	-	-		287,977
Total Gallons	454,050	208,230	171,997	154,500	201,440	218,520	411,920	377,980	739,450	686,870	683,670	385,690		4,694,317
Revenue - Commercial	\$ 1,835.47	\$ 839.68	\$ 577.80	\$ 744.56	\$ 604.00	\$ 1,007.30	\$ 1,799.02	\$ 1,417.32	\$ 3,143.84	\$ 2,796.88	\$ 2,930.21	\$ 1,707.26		\$ 19,403.34
Revenue - WWTP	\$ 108.02	\$ 73.94	\$ 36.54	\$ 82.83	\$ 72.52	\$ 78.71	\$ 69.19	\$ 37.02	\$ 63.99	\$ 78.69	\$ 76.66	\$ 95.87		\$ 873.96
Revenue - Jetting	-	196.02	338.47	-	408.20	-	-	334.86	86.84	212.08	-	-		\$ 1,576.47
<b>Water Accountability</b>														
Water Purchased	2,473,000	1,903,000	2,265,000	1,845,000	2,621,000	3,078,000	3,675,000	5,014,000	6,132,000	4,565,000	3,319,000	3,456,000		40,346,000
Water Sold	2,645,390	1,609,170	1,308,840	1,505,440	1,403,900	2,088,700	2,716,120	3,300,850	5,316,730	4,971,990	3,660,010	2,956,860		33,484,000
Water Lost	(172,390)	293,830	956,160	339,560	1,217,100	989,300	958,880	1,713,150	815,270	(406,990)	(341,010)	499,140		6,862,000
Cost of Lost Water	\$ (415.46)	\$ 708.13	\$ 2,304.35	\$ 818.34	\$ 2,933.21	\$ 2,384.21	\$ 2,310.90	\$ 4,128.69	\$ 1,964.80	\$ (980.85)	\$ (821.83)	\$ 1,202.93		\$ 16,537.42
Accountability	107%	85%	58%	82%	54%	68%	74%	72%	87%	109%	110%	86%		83%
Y-T-D Accountability	107%	97%	84%	83%	76%	74%	74%	72%	75%	80%	83%	83%		
<b>Rates - Water</b>														
3/4" Meter	Base, Res	Base, Com	Commodity	WWTP	BUWSA	FI/PSD	HYD METER							
1" Meter	19.00	24.00	4.06	2.41	2.15	0.26								
1 1/2" Meter	21.00	27.00	4.06											
Hydrant Meter	26.50	33.00												
65.00							4.12							
<b>Water Revenues</b>														
Residential Customers	16,568.44	13,600.91	12,562.33	13,465.22	12,849.60	15,613.57	16,905.46	19,136.91	25,835.51	24,496.15	19,366.26	18,035.35		208,435.71
Irrigation Customers	557.40	315.91	282.25	248.60	261.39	303.37	773.60	1,072.94	1,129.25	1,282.43	1,098.68	765.60		8,091.42
Commercial Customers	1,835.47	839.68	577.80	744.56	604.00	1,007.30	1,799.02	1,417.32	3,143.84	2,796.88	2,930.21	1,707.26		19,403.34
Wastewater Trt Plant	108.02	73.94	36.54	82.83	72.52	78.71	69.19	37.02	63.99	78.69	76.66	95.87		873.96
Jetting Meter	-	196.02	338.47	-	408.20	-	-	334.86	86.84	212.08	-	-		1,576.47
Total Water Revenue	\$ 19,069.33	\$ 15,026.45	\$ 13,797.39	\$ 14,541.21	\$ 14,195.70	\$ 17,002.95	\$ 19,547.27	\$ 21,999.05	\$ 30,259.42	\$ 28,866.23	\$ 23,471.81	\$ 20,604.08		\$ 238,380.90
<b>Rates - Sewer</b>														
Residential Customers	Fixed Rate-Res	Base Rate-Com												
Commercial Customers	39.00	39.00												
<b>Sewer Customers</b>														
Residential	404	408	408	409	409	412	412	413	416	416	418	419		419
Commercial	5	5	5	5	5	5	5	5	6	6	6	6		6
<b>Sewer Revenues</b>														
Residential Customers	15,756.00	15,912.00	15,912.00	15,951.00	15,951.00	16,068.00	16,068.00	16,107.00	16,224.00	16,224.00	16,302.00	16,341.00		192,816.00
Commercial Customers	195.00	195.00	195.00	195.00	195.00	195.00	195.00	195.00	234.00	234.00	234.00	234.00		2,496.00
Total	15,951.00	16,107.00	16,107.00	16,146.00	16,146.00	16,263.00	16,263.00	16,302.00	16,458.00	16,458.00	16,536.00	16,575.00		195,312.00

## SECTION 3

### PRO FORMA INCOME & EXPENSE STATEMENT USING PROPOSED RATES FOR TEST YEAR

This section summarizes the adjustments made to the test year (FY-06) and the effects of the proposed rate adjustments.

<b>TABLE 5</b>  <b>HARBOR ISLAND UTILITIES, INC</b> <b>PRO FORMA INCOME &amp; EXPENSE STATEMENT</b> <b>USING PROPOSED RATES APPLIED TO TEST YEAR FY-06</b>						
ACTIVITY	PER BOOKS	PRO FORMA ADJUSTMENT	*	AFTER ADJUSTMENT	EFFECT OF PROPOSED INCREASE	AFTER PROPOSED INCREASE
<b>Operating Revenues</b>						
Water Sales	205,825	1,661	(1)	207,486	30,895	238,381
Sewer Revenue	137,720	-	(2)	137,720	57,592	195,312
Safe Water Fee	2,109	(2,109)	(3)	-	-	-
Late Charges	633	-		633	-	633
Tap Fees	9,996	(9,996)	(4)	-	-	-
Total Revenues	356,283	(10,444)		345,839	88,487	434,326
<b>Operating Expenses</b>						
Administration	70,877	2,073	(5)	64,092		64,092
W&S Oper & Maint	217,479	(2,430)	(6)	215,626		215,626
Water Purchase	96,128	(6,094)	(7)	90,034		90,034
Total Expenses	384,484	(6,451)		369,752	-	369,752
<b>Net Operating Income</b>	(28,201)	(3,993)		(23,913)	88,487	64,574
<b>Add Customer Growth</b>				-		-
<b>Total Operating Income</b>	(28,201)	(3,993)		(23,913)	88,487	64,574
<b>Operating Margin</b>	-7.9%			-6.9%		14.9%
<b>*Adjustments</b> (1) Water Sales adjusted up according to the model used in Section 2, Table 3. (2) Sewer Revenue adjusted up according to the model used in Section 2, Table 3. (3) Safe Water Fee is collected for, and paid to, DHEC. Not a part of the rate base. (4) Tap Fees are not a part of the rate base. Corresponding expenses for connecting water and sewer services also are removed. (5) Administration Expenses are adjusted as detailed in Section 2, Table 1. (6) Water and Sewer Expenses are adjusted as detailed in Section 2, Table 1. (7) Water Purchased is adjusted down to reflect a 90% accountability.						

While the actual operating margin was negative 7.9%, after the pro forma adjustments were made the operating margin is negative 6.9%. With the proposed adjustments to the water and sewer rates the operating margin will be 15.3%.

#### Effects of Rate Adjustments

##### **Water**

<u>Residential &amp; Irrigation – ¾" meter</u>	<u>Current</u>	<u>Proposed</u>	<u>% Change</u>
0 gallons	\$16.12	\$19.00	17.8%
10,000 gallons	\$52.12	\$59.60	14.3%
30,000 gallons	\$124.12	\$140.80	13.4%

##### Commercial – ¾ " meter

0 gallons	\$21.75	\$24.00	10.3%
10,000 gallons	\$57.75	\$64.60	11.9%
30,000 gallons	\$129.75	\$145.50	12.1%

##### **Sewer**

Residential	\$27.50	\$39.00	41.8%
Commercial	\$27.50	\$39.00	41.8%

## **APPENDICES**

**APPENDIX A**  
**HARBOR ISLAND UTILITIES, INC**  
**REVENUE & EXPENSE STATEMENT**  
**FY - 06**

	Per Books	Adjusted
<b><u>REVENUE:</u></b>		
Water Sold	205,825	207,486
Sewer Service	137,720	137,720
Safe Drinking Water Fee	2,109	-
Late Charges	633	633
Tap Fees	9,996	-
Total Revenue	<u>356,283</u>	<u>345,839</u>
<b><u>COST OF SALES:</u></b>		
Water Purchased	<u>96,128</u>	90,034
<b><u>GROSS Margin:</u></b>	<u>260,155</u>	<u>255,805</u>
<b><u>EXPENSES:</u></b>		
Administration	70,877	64,092
Water System O & M	73,134	68,672
Sewer System O & M	<u>144,345</u>	146,955
Total Expenses	<u>288,356</u>	<u>279,718</u>
<b>NET GAIN (LOSS)</b>	(28,201)	(23,913)
Operating Margin	-7.9%	-6.9%

# **APPENDIX B** **HARBOR ISLAND UTILITIES, INC** **BALANCE SHEET**

**Oct 31, 06**

## **ASSETS**

### Current Assets

#### Checking/Savings

1000 · Palm St checking (Palmetto State Checking) -8,187.79

Total Checking/Savings -8,187.79

#### Accounts Receivable

1200 · Receivables (Receivables) 13,433.32

Total Accounts Receivable 13,433.32

### Other Current Assets

#### 1210 · Other Current Assets (Other Current Assets)

1201 · Utility billing (Utility billing) 258.22

Total 1210 · Other Current Assets (Other Current Assets) 258.22

#### 1400 · Prepaid Expenses (Prepaid Expenses)

1402 · Prepaid Federal Income Taxes 1,600.00

1403 · Prepaid State Income Taxes 600.00

Total 1400 · Prepaid Expenses (Prepaid Expenses) 2,200.00

Total Other Current Assets 2,458.22

Total Current Assets 7,703.75

### Fixed Assets

#### 1500 · Fixed Assets (Fixed Assets)

1505 · WS-Pump equipment (WS-Pump equipment) 31,412.41

1506 · WS-Mains (WS-Mains) 18,702.29

1507 · WS-Services (WS-Services) 10,616.15

1508 · WS-Hydrants (WS-Hydrants) 13,568.64

1509 · WS-Support equipment (WS-Support equipment) 15,078.67

1523 · Contributed mains & services (Contributed mains & services) 17,040.59

1524 · Contributed meters (Contributed meters) 24,774.14

1525 · Contributed systems 1986-1995 (Contributed systems 1986-1995) 22,529.75

1526 · Contributed systems 1996 forward (Contributed systems 1996 forward) 223,046.25

1535 · SS-Pump equipment (SS-Pump equipment) 26,741.28

1536 · SS-Collection system (SS-Collection system) 9,300.00

1537 · Contributed sewer costs (Contributed sewer costs)	8,187.43
1538 · Effluent Line Replacement (Effluent Line Replacement)	86,582.90
1545 · TP-Treatment units (TP-Treatment units)	
1546 · WWTP Upgrade (WWTP Upgrade)	92,400.86
1545 · TP-Treatment units (TP-Treatment units) - Other	72,893.87
Total 1545 · TP-Treatment units (TP-Treatment units)	165,294.73
1561 · Land (Land)	5,700.00
Total 1500 · Fixed Assets (Fixed Assets)	678,575.23
1600 · Accumulated Depreciation (Accumulated Depreciation)	
1605 · WS-Pump equipment (WS-Pump equipment)	-10,708.62
1606 · WS-Mains (WS-Mains)	-8,152.46
1607 · WS-Services (WS-Services)	-4,218.40
1608 · WS-Hydrants (WS-Hydrants)	-8,100.36
1611 · WS-Support equipment (WS-Support equipment)	-14,407.46
1623 · Contributed mains (Contributed mains)	-4,170.16
1624 · Contributed meters (Contributed meters)	-12,223.12
1625 · Contributed systems 1986-1995 (Contributed systems 1986-1995)	-11,228.36
1626 · Contributed systems 1996 forward (Contributed systems 1996 forward)	-88,381.17
1635 · SS-Pump equipment (SS-Pump equipment)	-21,265.95
1636 · SS-Collection systems (SS-Collection systems)	-3,999.00
1637 · Contributed sewer costs (contributed sewer costs)	-2,837.13
1638 · Effluent Line Relocation (Effluent Line Relocation)	-3,202.76
1645 · TP-Treatment units (TP-Treatment units)	-19,029.25
Total 1600 · Accumulated Depreciation (Accumulated Depreciation)	-211,924.20
1700 · Construction in Progress (Construction in Progress)	
1702 · Sewer tap costs (Sewer tap costs)	3,680.00
Total 1700 · Construction in Progress (Construction in Progress)	3,680.00
Total Fixed Assets	470,331.03
Other Assets	
1800 · Other Assets (Other Assets)	
1801 · Deposits (Deposits)	108.08
1802 · Parts inventory (Parts inventory)	600.00
Total 1800 · Other Assets (Other Assets)	708.08
Total Other Assets	708.08
<b>TOTAL ASSETS</b>	<b>478,742.86</b>
<b>LIABILITIES &amp; EQUITY</b>	

## Liabilities

### Current Liabilities

#### Accounts Payable

2100 · Payables (Payables) 90,908.59

Total Accounts Payable 90,908.59

#### Other Current Liabilities

Accrued interest s/h loan 4,121.59

2102 · Notes payable - RAE (Principal) (Notes payable - RAE) 258,746.80

2104 · Loan from Shareholder (Loan from Shareholder) 154,130.69

2105 · Fripp Island PSD Escrow (Fripp Island PSD Escrow) 924.00

2200 · Water/sewer deposits (Water/sewer deposits) 566.50

Total Other Current Liabilities 418,489.58

Total Current Liabilities 509,398.17

Total Liabilities 509,398.17

## Equity

### 3700 · Contributed Tap-In Fees (Contributed Tap-In Fees)

3702 · Prior year tap-in fees (Prior year tap-in fees) 95,408.00

3703 · Current year water tap fees (Current year water tap fees) 4,040.00

3704 · Current year sewer tap fees (Current year sewer tap fees) 12,500.00

3751 · 1986 & prior systems (1986 & prior systems) 79,028.45

3753 · 1986 - 1995 systems (1986 - 1995 systems) 62,314.91

3754 · 1986 - 1995 cash (1986 - 1995 cash) 22,068.92

3755 · Westmarsh systems (Westmarsh systems) 223,046.25

3756 · Cash after 1996 (Cash after 1996) 5,360.00

3765 · Amortization-tap fee costs (Amortization -tap fee costs) -5,520.46

3766 · Amortization-since 1986 systems (Amortization-since 1986 syste) -22,538.61

3767 · Amortization-1996 forward sys (Amortization-1996 forward sys) -88,381.16

Total 3700 · Contributed Tap-In Fees (Contributed Tap-In Fees) 387,326.30

3801 · Common stock (Common stock) 81,000.00

3802 · Treasury stock (Treasury stock) -516,100.00

3900 · Retained Earnings 55,124.83

Net Income -38,006.44

Total Equity -30,655.31

**TOTAL LIABILITIES & EQUITY 478,742.86**

**APPENDIX C**  
**Harbor Island Utilities, Inc.**  
**Schedule of Fixed Assets**  
**FYE 10/31/06**

Acct No.	Description	Date Acquired	Cost Basis 10/31/2006	Accum. Dep 10/31/2005	Method	Life	Current Annual Depr	Accum. Dep 10/31/2006
<b>1605 Pump Equipment</b>								
1	Water system - upgrade	06/01/1986	7,706.00	7,706.00	SLP	10.0	0.00	7,706.00
	Water system - upgrade	09/12/2000	6,767.80	930.58	SLP	40.0	169.20	1,099.77
	Water system - upgrade	04/30/2001	12,883.07	1,449.35	SLP	40.0	322.08	1,771.42
	Fence around pump	08/19/2004	2,906.00	622.70	SLP	7.0	415.14	1,037.85
	Pete Duty & Associates	01/23/2006	1,149.75		SLP	7.0	82.13	82.13
			31,412.62	10,708.62			988.54	11,697.16
<b>1606 Water Mains</b>								
	Bridge Crossing	07/01/1986	6,863.00	3,317.46	SLP	40.0	171.58	3,489.04
	Phase I Water Line	08/01/1986	1,220.00	587.00	SLP	40.0	30.50	617.50
	Beach Walk Phase I	11/27/1989	10,620.00	4,248.00	SLP	40.0	265.50	4,513.50
			18,703.00	8,152.46			467.58	8,620.04
<b>1607 Services</b>								
	Beach Walk Phase I	11/27/1989	10,286.00	4,114.90	SLP	40.0	257.15	4,372.05
	Kelp & Teal Court Conn	05/16/1993	330.00	103.50	SLP	40.0	8.25	111.75
			10,616.00	4,218.40			265.40	4,483.80
<b>1608 Hydrants</b>								
	Fire Hydrants	07/01/1986	7,600.00	3,673.00	SLP	40.0	190.00	3,863.00
	Beach Walk Phase I	11/27/1989	2,569.00	1,027.36	SLP	40.0	64.23	1,091.58
	Hydrants	08/03/2000	1,300.00	1,300.00	SLP	5.0	0.00	1,300.00
	Hydrants	02/10/2000	2,100.00	2,100.00	SLP	5.0	0.00	2,100.00
			13,569.00	8,100.36			254.23	8,354.58
<b>1509/161 Support Equipment</b>								
	Centrifical Pump	06/01/1986	1,197.00	1,197.00	SLP	3.0	0.00	1,197.00
	Flushquip Retrieval Sys M	01/12/1995	1,570.00	1,570.00	SLP	3.0	0.00	1,570.00
	Gastech Gas Monitor G	01/12/1995	2,972.00	2,972.00	SLP	5.0	0.00	2,972.00
	Sampler	04/17/1995	2,297.00	2,297.00	SLP	5.0	0.00	2,297.00
	Flow meter	04/17/1995	3,200.00	3,200.00	SLP	5.0	0.00	3,200.00
	Chlorine scales	04/17/1995	1,075.00	1,075.00	SLP	5.0	0.00	1,075.00
	Tap costs (non-capital c	06/29/2000	2,022.00	2,022.00	SLP	5.0	0.00	2,022.00
	Equipment	08/23/2005	744.61	74.46	SLP	5.0	148.92	223.38
			15,077.61	14,407.46			148.92	14,556.38
<b>1635 SS Pump Equipment</b>								
	Pump stations	02/06/1995	20,000.00	20,000.00	SLP	5.0	0.00	20,000.00
	Effluent Line	08/02/2002	2,623.00	612.04	SL	15.0	174.87	786.90
	2 4-HP Sewage Pumps	06/24/2004	2,000.00	200.00	SLP	15.0	133.33	333.34
	Material	08/19/2004	2,118.28	453.91	SL	7.0	302.61	756.52
			26,741.28	21,265.95			610.81	21,876.76
<b>1636 SS Collection Systems</b>								
	Sewer collection system	02/06/1995	9,300.00	3,999.00	SLP	25.0	372.00	4,371.00

Acct No.	Description	Date Acquired	Cost Basis 10/31/2006	Accum. Dep 10/31/2005	Method	Life	Current Annual Dep	Accum. Dep 10/31/2006
			9,300.00	3,999.00			372.00	4,371.00
<b>1638</b>	<b>Effluent Line Replacement</b>							
	Utility Drawings	02/10/2003	298.00	49.66	SLP	15.0	19.87	69.52
	Cast Iron Pump	01/02/2003	1,492.00	248.67	SLP	15.0	99.47	348.13
	Effluent Line Replacement	11/01/2003	780.00	104.00	SLP	15.0	52.00	156.00
	Effluent Line Replacement	09/28/2005	84,013.14	2,800.44	SLP	15.0	5,600.88	8,401.31
			86,583.14	3,202.76			5,772.21	8,974.97
<b>1545/164</b>	<b>TP Treatment Units</b>							
	Treatment plant	02/06/1995	40,000.00	17,200.00	SLP	25.0	1,600.00	18,800.00
	Blower	04/12/2002	3,102.43	723.90	SL	15.0	206.83	930.73
	Blower	04/07/2004	3,134.48	313.45	SL	15.0	208.97	522.41
	Blower	05/01/2004	5,522.07	552.21	SL	15.0	368.14	920.35
	Fencing	08/19/2004	2,906.00	174.36	SLP	25.0	116.24	290.60
	WW Treatment Plant U	10/21/2005	1,306.66	65.33	SLP	20.0	65.33	130.67
	WW Treatment Plant U	09/25/2006	92,400.86		SLP	20.0	2,310.02	2,310.02
	Treatment Units - Other	10/01/2006	16,922.23		SLP	20.0	423.06	423.06
			165,294.73	19,029.25			5,298.58	24,327.83
<b>1623</b>	<b>Contributed mains &amp; services</b>							
	kelp & teal court connec	05/18/1993	730.00	228.50	Amort	40.0	18.25	246.75
	Ocean Marsh Sewer Ex	03/14/1996	16,311.00	3,941.66	Amort	40.0	407.78	4,349.43
			17,041.00	4,170.16			426.03	4,596.18
<b>1524/162</b>	<b>Contributed-meters</b>							
	Water Tap Costs 1987	10/31/1987	504.00	504.00	Amort	15.0	0.00	504.00
	Water Tap Costs 1988	10/31/1988	204.00	204.00	Amort	15.0	0.00	204.00
	Water Tap Costs 1989	10/31/1989	183.00	183.00	Amort	15.0	0.00	183.00
	Water Tap Costs 1990	10/31/1990	140.00	140.00	Amort	15.0	0.00	140.00
	Water Tap Costs 1991	02/28/1991	478.00	470.21	Amort	15.0	7.79	478.00
	Water Tap Costs 1992	10/31/1992	729.00	635.60	Amort	15.0	48.60	684.20
	Water Tap Costs 1993	10/31/1993	1,436.00	1,156.39	Amort	15.0	95.73	1,252.13
	Water Tap Costs 1994	10/31/1994	1,893.00	1,399.20	Amort	15.0	126.20	1,525.40
	Water Tap Costs 1995	10/31/1995	1,273.00	855.21	Amort	15.0	84.87	940.07
	Water Tap Costs 1996	10/31/1996	1,947.00	1,178.80	Amort	15.0	129.80	1,308.60
	Water Tap Costs 1997	10/31/1997	3,100.00	1,653.01	Amort	15.0	206.67	1,859.67
	Water Tap Costs 1998	10/31/1998	2,502.00	1,181.80	Amort	15.0	166.80	1,348.60
	Water Tap Costs 1999	10/31/1999	1,817.00	736.79	Amort	15.0	121.13	857.93
	Water Tap Costs 2000	04/30/2001	6,148.14	1,844.45	Amort	15.0	409.88	2,254.32
	Water Tap Costs 2004	01/01/2005	2,420.00	80.67	Amort	15.0	161.33	242.00
			24,774.14	12,223.12			1,558.80	13,781.92
<b>1625</b>	<b>Contributed systems</b>							
	Kelp & teal court - water	05/14/1993	4,597.00	1,436.56	Amort	40.0	114.93	1,551.48
	kelp & teal court - water	05/14/1993	3,819.00	3,182.60	Amort	15.0	254.60	3,437.20
	Sea Cottages mains & c	09/09/1993	8,968.00	2,728.20	Amort	40.0	224.20	2,952.40
	Sea Cottages fire hydra	09/09/1993	900.00	438.00	Amort	25.0	36.00	474.00
	Sea Cottages services	09/09/1993	4,245.00	3,443.00	Amort	15.0	283.00	3,726.00
			22,529.00	11,228.36			912.73	12,141.08

Acct No.	Description	Date Acquired	Cost Basis 10/31/2006	Accum. Dep 10/31/2005	Method	Life	Current Annual Depr	Accum. Dep 10/31/2006
<b>Sub-Total depreciation</b>			441,641.52	120,705.89			17,075.82	137,781.70
1537/163	<b>Contributed sewer taps</b>							
	Sewer tap costs 1995	10/31/1995	20.00	12.99	Amort	15.0	1.33	14.33
	sewer tap costs 1996	10/31/1996	260.00	156.99	Amort	15.0	17.33	174.33
	sewer tap costs 1997	10/31/1997	380.00	202.99	Amort	15.0	25.33	228.33
	sewer tap costs 1999	10/31/1999	5,107.43	2,383.48	Amort	15.0	340.50	2,723.97
	sewer tap costs 2004	01/01/2005	2,420.00	80.67	Amort	15.0	161.33	242.00
			8,187.43	2,837.12			545.83	3,382.95
1626	<b>1996 Forward Systems</b>							
	Harbor Key (Westmarsh	11/01/1996	38,394.00	8,639.10	Amort	40.0	959.85	9,598.95
	Harbor Key (Westmarsh	11/01/1996	8,775.00	1,974.26	Amort	40.0	219.38	2,193.63
	Harbor Key (Westmarsh	11/01/1996	35,930.00	35,930.00	Amort	5.0	0.00	35,930.00
	Harbor Key (Westmarsh	11/01/1996	68,502.00	24,660.48	Amort	25.0	2,740.08	27,400.56
	Harbor Key (Westmarsh	11/01/1996	5,855.00	3,512.99	Amort	15.0	390.33	3,903.33
	Ocean Marsh sewer ext	07/29/1997	65,589.00	13,664.35	Amort	40.0	1,639.73	15,304.07
			223,045.00	88,381.17			5,949.36	94,330.54
	Total amortization		231,232.43	91,218.30			6,495.19	97,713.49
Total			672,873.95	211,924.18			23,571.01	235,495.19
	Non-deductibles			118,839.92			9,392.74	128,232.67
	Deductibles			93,084.26			14,178.26	107,262.52
				211,924.18			23,571.01	235,495.19

#### Summary of current year additions

#### PT - 100 Summary

Pump Equipment	144,737.00	35,177.00	7,372.00	42,549.00
Water mains	18,703.00	8,152.00	468.00	8,620.00
Contributed aid in construction	295,577.00	118,840.00	9,393.00	128,233.00
Hydrants	13,569.00	8,100.00	254.00	8,355.00
Meters	10,616.00	4,218.00	265.00	4,484.00
General equipment	189,672.00	37,436.00	5,820.00	43,255.00
Land	5,700.00			
Total	678,574.00	211,923.00	23,572.00	235,496.00
Land not included in depreciation sch	-5,700.05	1.18		

**APPENDIX D**  
**HARBOR ISLAND UTILITIES, INC**  
**PLANT INVESTMENT**

Most of the water system owned by HIU was donated by the developer when it was constructed; therefore, there is very little investment in the system. The purchased water assets are:

Pump Housing & System Upgrade	\$7,705.79
1986 Water Main Extension	8,082.51
Fire Hydrants (7)	7,600.00
<u>Support Equipment</u>	<u>12,312.06</u>
Total	\$35,700.36

In 1995, the sewer system assets were purchased from the Fripp Island Sewer System, Inc. The sewer system assets included:

Pump Stations (6)	\$20,000.00
Collection System	9,300.00
<u>Treatment Plant</u>	<u>40,000.00</u>
Total	\$69,300.00

Systems purchased since 1995 are:

Water system upgrade (year 2000)	\$6,767.60
Water system upgrade (year 2000)	\$12,883.07
Hydrants (year 2000)	\$3,400.00
Wastewater Effluent Line Relocation (2005)	\$86,582.90
Wastewater Treatment System Filters (2005-2006)	\$92,400.80
Replace Water Service Pump (2006)	\$4,870.00

**APPENDIX E**  
**HARBOR ISLAND UTILITIES, INC**  
**CURRENTLY APPROVED RATES (DECEMBER 23, 2002)**  
**USER FEES - WATER**

**1. Residential**

3/4" meter	Base	\$16.12/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$18.00/month
	Commodity	\$3.60/1,000 gallons
1 1/2" meter	Base	\$24.00/month
	Commodity	\$3.60/1,000 gallons

**2. Commercial Water Service**

3/4" meter	Base	\$21.75/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$24.257/month
	Commodity	\$3.60/1,000 gallons
1 1/2" meter	Base	\$32.00/month
	Commodity	\$3.60/1,000 gallons

**3. Landscape Irrigation**

3/4" meter	Base	\$16.12/month
	Commodity	\$3.60/1,000 gallons
1" meter	Base	\$18.00/month
	Commodity	\$3.60/1,000 gallons
1 1/2" meter	Base	\$24.00/month
	Commodity	\$3.60/1,000 gallons

**4. Meters Used for Multiple Residential Units**

Minimum monthly charge at \$16.12/unit  
Commodity charge of \$3.60/1,000 gallons

**FIRE HYDRANT USAGE**

1. Installation Charge	\$ 50.00*
Advance Payment	\$ 50.00*
Cost per 1,000 gallons	\$ 3.60

**RECONNECTION FEES**

1. Disconnect/Reconnect at Customer's Request	\$ 50.00*
2. Disconnect/Reconnect due to Nonpayment	\$ 50.00*

### **TAP FEES**

1. <u>Single Units</u>	
3-4" meter	\$ 687.00
1" meter	\$1,037.00
1½" meter	\$1,187.00
2" meter	\$2,187.00
2. <u>Master Meter for Multiple Units</u>	
1" – 2"	\$ 687.00
Greater than 2"	\$ 500.00

### **ADVANCE PAYMENT**

1. For Water Used During Construction (paid with tap fees)	\$ 100.00*
--	------------

### **USER FEES – SEWER**

1. Residential	\$ 27.50
2. Commercial	\$ 27.50 min. for 10,500 gallons
	\$ 1.50 per 1,000 gal excess usage
	(Sewage flow is determined by using SCDHEC wastewater unit load allocation)

### **TAP FEES - SEWER**

Residential	\$ 500.00*
Trailer Park	\$ 250.00/pad*
Commercial: Water supplied through 1" – 1½" meter	\$ 850.00*

\*No change to previously approved rates

**APPENDIX F**  
**HARBOR ISLAND UTILITIES, INC**  
**PROPOSED RATE SCHEDULE**  
**USER FEES - WATER**

<b>1.     <u>Residential</u></b>		
3/4" meter	Base	\$19.00/month
	Commodity	\$4.12/1,000 gallons
1" meter	Base	\$21.00/month
	Commodity	\$4.12/1,000 gallons
1 1/2" meter	Base	\$26.50/month
	Commodity	\$4.12/1,000 gallons
<b>2.     <u>Commercial Water Service</u></b>		
3/4" meter	Base	\$24.00/month
	Commodity	\$4.12/1,000 gallons
1" meter	Base	\$27.00/month
	Commodity	\$4.12/1,000 gallons
1 1/2" meter	Base	\$33.00/month
	Commodity	\$4.12/1,000 gallons
<b>3.     <u>Landscape Irrigation</u></b>		
3/4" meter	Base	\$19.00/month
	Commodity	\$4.12/1,000 gallons
1" meter	Base	\$21.00/month
	Commodity	\$4.12/1,000 gallons
1 1/2" meter	Base	\$26.50/month
	Commodity	\$4.12/1,000 gallons
<b>4.     <u>Meters Used for Multiple Residential Units</u></b>		
Minimum monthly charge at \$19.00/unit		
Commodity charge of \$4.12/1,000 gallons		

**FIRE HYDRANT USAGE**

1. Installation Charge	\$ 65.00
Advance Payment	\$ 75.00
Cost per 1,000 gallons	\$4.25/1,000 gallons

**RECONNECTOIN FEES**

1. Disconnect/Reconnect at Customer's Request	\$ 50.00*
2. Disconnect/Reconnect due to Nonpayment	\$ 50.00*

**TAP FEES**

<b>1.     <u>Single Units</u></b>	
3-4" meter	\$1,200.00
1" meter	\$1,600.00
1 1/2" meter	\$1,800.00
2" meter	\$2,700.00

2. Master Meter for Multiple Units

1" – 2" (plus cost of meter installation)	\$1,200.00/unit
Greater than 2" (plus cost of meter installation)	\$ 600.00/unit

**ADVANCE PAYMENT**

1. For Water Used During Construction (paid with tap fees)	\$ 100.00*
--	------------

There are three additional changes to the rates that are currently approved by the PSCSC. The changes are:

1. Administrative set-up fee for new customers	\$25.00
2. Pass through rate increases from BJWSA and FIPSD after a 60-day notice to PSCSC and 30-day notice to customers.	At Cost
3. Authority to recover administrative and legal fees from delinquent accounts.	At Cost

**USER FEES – SEWER**

1. Residential	\$ 39.00
2. Commercial	\$ 39.00 min. for 10,500 gallons \$ 1.50 per 1,000 gal excess usage (Sewage flow is determined by using SCDHEC wastewater unit load allocation)

**TAP FEES – SEWER**

Residential	\$ 500.00*
Trailer Park	\$ 250.00/pad*
Commercial: Water supplied through 1" – 1½" meter	\$ 850.00*

\*No change to previously approved rates

There are three additional changes to the rates that are currently approved by the PSCSC. The changes are:

1. Administrative set-up fee for new customers	\$25.00
2. Pass through rate increases from FIPSD after a 60-day notice to PSCSC and 30-day to customers.	At Cost
3. Authority to recover administrative and legal fees from delinquent accounts.	At Cost

**APPENDIX G**  
**HARBOR ISLAND UTILITIES, INC.**  
**PERFORMANCE BOND**

The Performance Bond requirement has been met by a personal guarantee of Robert G. Gross, and the Office of Regulatory Staff has approved this guarantee.

**APPENDIX H**  
**HARBOR ISLAND UTILITIES, INC.**  
**SERVICE AREA**

The Service area for this utility is Harbor Island in Beaufort County. A copy of the original service area map and one extension are on file with the PSCSC.

**APPENDIX I**  
**HARBOR ISLAND UTILITIES, INC**  
**S.C. DEPARTMENT OF HEALTH & ENVIRONMENTAL CONTROL**  
**APPROVAL**

Each phase of constructing the Utility's water and sewer systems has been approved by SCDHEC for both construction and then for operation. The system is operated in accordance within SCDHEC rules and regulations. The attached letter from SCDHEC confirms this statement.



Low Country District  
Environmental Quality Control  
104 Parker Drive  
Burton, SC 29906  
843-846-1030 Fax: 843-846-0604

Serving  
Beaufort, Colleton,  
Hampton and Jasper Counties

April 12, 2007

Mr. Robert G. Gross, P.E.  
The Beaufort Group  
P.O. Box 70042  
Lady's Island, SC 29902-0001

RE: Harbor Island Water and Sewer

Dear Mr. Gross:

This is to confirm that the water and sewer systems serving Harbor Island in Beaufort County have been constructed and are being operated under the rules and regulations and approval of the South Carolina Department of Health and Environmental Control.

I understand that this letter is needed for your application to the South Carolina Public Service Commission for a rate increase. If I can be of any further assistance, please feel free to call me at 843-846-1030.

Sincerely,

A handwritten signature in black ink, appearing to read 'Penny Cornett'.

Penny Cornett  
Water Program Manager  
Environmental Quality Control  
Region 8 EQC

**APPENDIX J**  
**HARBOR ISLAND UTILITIES, INC**  
**BILL FORM**

**Harbor Island Utilities**  
P.O. Box 1028  
Beaufort, SC 29901-1028  
843-982-0405

FIRST-CLASS MAIL  
U.S. POSTAGE  
PAID  
PERMIT NO.

TYPE OF SERVICE	METER READING		USED	CHARGES
	PRESENT	PREVIOUS		
Water	379230	373210	6020	37.79
Sewage				27.50

CUSTOMER		DUE DATE
ROUTE	ACCOUNT	
22	451	3-10-07
NET AMOUNT TO BE PAID		
65.29		

MAIL THIS STUB WITH YOUR PAYMENT

ACCOUNT # 451 02-23-07  
4 Mickeys Alley

Service From: 01-11 to 02-10

METER READ			NET AMOUNT TO BE PAID
MONTH	DAY	CLASS	
2	12	1	65.29

Rate schedule available upon request, contact Office.

Glynn R Gaulding  
4 Mickeys Alley  
Harbor Island SC 29920